

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES**

May 4, 2021
10:05 a.m.

MEMBERS PRESENT

Representative Geran Tarr, Chair
Representative Jonathan Kreiss-Tomkins
Representative Andi Story
Representative Dan Ortiz
Representative Sarah Vance

MEMBERS ABSENT

Representative Louise Stutes, Vice Chair
Representative Kevin McCabe

COMMITTEE CALENDAR

HOUSE BILL NO. 82

"An Act relating to surface use restrictions for oil and gas leases; relating to gas leases in Kachemak Bay; relating to the renewable energy grant fund; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 82

SHORT TITLE: GAS LEASES; RENEWABLE ENERGY GRANT FUND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	RES, FSH
03/01/21	(H)	RES REFERRAL MOVED TO AFTER FSH
03/01/21	(H)	BILL REPRINTED
04/06/21	(H)	FSH AT 10:00 AM GRUENBERG 120
04/06/21	(H)	Heard & Held
04/06/21	(H)	MINUTE (FSH)
05/04/21	(H)	FSH AT 10:00 AM GRUENBERG 120

WITNESS REGISTER

HALEY PAINE, Deputy Director
Division of Oil and Gas

Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Offered answers to questions during the hearing on HB 82.

JEREMY PRICE, Commissioner
Alaska Oil and Gas Conservation Commission
Anchorage, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 82.

DAVE ROBY, Senior Reservoir Engineer
Alaska Oil and Gas Conservation Commission
Anchorage, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 82.

SEAN CLIFTON, Policy and Program Specialist
Division of Oil and Gas
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 82.

ACTION NARRATIVE

[10:05:25 AM](#)

CHAIR GERAN TARR called the House Special Committee on Fisheries meeting to order at 10:05 a.m. Representatives Ortiz, Vance, Kreiss-Tompkins, Story, and Tarr were present at the call to order.

HB 82-GAS LEASES; RENEWABLE ENERGY GRANT FUND

[10:06:10 AM](#)

CHAIR TARR announced that the only order of business would be HOUSE BILL NO. 82, "An Act relating to surface use restrictions for oil and gas leases; relating to gas leases in Kachemak Bay; relating to the renewable energy grant fund; and providing for an effective date."

[10:08:06 AM](#)

HALEY PAINE, Deputy Director, Division of Oil and Gas, Department of Natural Resources, brought attention to a handout

in the committee packet with responses to questions asked at the previous hearing on the bill. She reviewed the first question and answer on the handout, which read as follows [original punctuation provided]:

Will this bill increase the potential for leaks?

No. Well engineering is highly regulated by the Alaska Oil & Gas Conservation Commission (AOGCC) to ensure wells are safe and will not contaminate surface waters or drinking water aquifers. Furthermore, leases granted under this legislation explicitly do not allow any surface usage, so there would be no possibility of pipelines, drilling rigs, platforms, or any other sort of impact to the waters of Kachemak Bay, the sea floor, or the fisheries.

[10:09:44 AM](#)

REPRESENTATIVE VANCE requested that Jeremy Price explain what the Alaska Oil and Gas Conservation Commission (AOGCC) does in terms of providing oversight to the wells that are in [the Kachemak Bay] area and how the proposed legislation "would change any of that."

[10:10:04 AM](#)

JEREMY PRICE, Commissioner, Alaska Oil and Gas Conservation Commission, responded that AOGCC regulates the permitting and drilling of oil and gas wells, and HB 82 would not change what AOGCC does. He said AOGCC's regulations require that the well casings and cementing programs in place by the operator contain fluids within the well bore and there is no migration of fluids from one stratum to another. Any well pressures that are encountered are controlled by primary means with drilling fluids or by secondary means with blowout prevention equipment. He said hydrocarbon zones are protected so the hydrocarbons do not migrate outside of their respective strata. When wells are drilled, surface casing is set in place below any aquifers or drinking water sources, and then the surface casing is cemented from the shoe to the surface so that there are at least two barriers protecting those drinking water sources.

[10:11:37 AM](#)

REPRESENTATIVE VANCE stated one area of concern is the Anchor River and aquifer, and she asked what AOGCC does to protect that water.

10:12:20 AM

DAVE ROBY, Senior Reservoir Engineer, Alaska Oil and Gas Conservation Commission, responded that AOGCC regulates and monitors its wells for the entire lifespan of the wells. He said AOGCC requires a safety valve installed on any well that could flow to the surface unassisted and that is within one-eighth of a mile of navigable water, roadways, or houses, for example. The valves are tested twice a year. He concluded, "So, there's lots of provisions in place to ensure that the wells are sound, and they won't leak in the unlikely event that something does happen."

REPRESENTATIVE VANCE asked how AOGCC ensures there is no interference with the water when doing subsurface drilling.

MR. ROBY answered that AOGCC would review the proposed well's trajectory to ensure the well is properly constructed to endure any geological condition it may encounter. In response to a follow-up from Representative Vance relating a concern about seismic activity, he said he is not aware of seismic monitoring; however, he said through AOGCC's monitoring of the well, it can tell whether "something has happened down ... the hole."

REPRESENTATIVE VANCE voiced constituent concern that seismic activity may cause a disruption with subsurface drilling that would not be seen readily. She asked if there was seismic monitoring that would alert to potential danger.

MR. ROBY answered that he was not aware of [any such monitoring]; however, he reiterated that monitoring of the well would indicate whether something has happened "down the hole."

10:15:27 AM

SEAN CLIFTON, Policy and Program Specialist, Division of Oil and Gas, Department of Natural Resources, in response to Representative Vance, said he had never heard of any seismic activity disrupting any of the wells in the Cook Inlet where there was subsurface drilling. He said AOGCC would know if earthquakes were effecting well integrity. He said if the question is about development drilling and other related activities causing seismic activity, the only place he has heard

of that occurring is in Oklahoma, and he said that is "fairly unique in terms of geology." He indicated that in the Kenai Peninsula, the issue is volcanic, and "there's no way that drilling is impacting that."

[10:16:43 AM](#)

MR. PRICE pointed out that drilling has been occurring in Cook Inlet since the 1960s, and AOGCC's standards currently in place are "quite robust," especially compared to those from 60 years ago. He concluded that AOGCC does not see any threat regarding seismic activity and drilling operations.

REPRESENTATIVE VANCE explained her questions come from her constituents and their concern for the water in Kachemak Bay and Anchor River.

[10:18:22 AM](#)

CHAIR TARR suggested the continued discussion focus on mitigation measures related to drilling.

[10:18:53 AM](#)

MS. PAINE directed attention to part of the aforementioned handout addressing "Mitigation Measures," which includes a link to the 2018 Cook Inlet Best Interest Finding. Chapter 9 of the finding addresses mitigation measures in place, including restrictions related to facilities, times of year for activities, and how to handle or contain "fluids or muds" resulting from exploration activities. She said the handout addresses spill prevention, detection, and response, with clarification provided by the Alaska Oil and Gas Conservation Commission (AOGCC). The handout also addresses fish and wildlife uses and values, and any reasonably foreseeable effects of leasing and subsequent activity. She recalled Representative Vance had, at a prior meeting, voiced questions regarding legislatively designated areas and critical habitat, and she noted that a provided map is marked to address that question.

MS. PAINE, regarding directional drilling, pointed to a question addressed on the handout as to whether Section 1 of HB 82 would "contemplate directional drilling." She explained that for this particular location, while the drilling envisioned was vertical, the bill would allow for directional drilling from an onshore location without any surface restrictions to somewhere that had the surface restrictions in place.

[10:21:27 AM](#)

MR. PRICE noted that directional drilling is quite common in Alaska.

[10:22:02 AM](#)

MR. ROBY expressed that approximately 95 percent of wells drilled in Alaska are directionally drilled, so there is an understanding of how to drill them safely and operate them properly.

[10:22:29 AM](#)

CHAIR TARR mentioned ocean floor topography and vertical drilling. She questioned whether it could be possible to drill vertically onshore and then reach from there into protected waters of Kachemak Bay.

MR. ROBY answered that it would depend on the rig used, but directional drilling can reach out about seven miles, minus the distance from shore where the rig is placed.

CHAIR TARR asked for clarification of whether that could mean drilling could reach the protected area in Kachemak Bay, which she explained is a concern she has been hearing from constituents.

[10:24:27 AM](#)

MS. PAINE offered her understanding that the directional drilling would take place far below the sea floor; there would be no pipeline through the water of Kachemak Bay. She noted that nearby [drilling] was at a depth of 5,500 feet of "true vertical depth."

[10:25:29 AM](#)

REPRESENTATIVE ORTIZ asked for confirmation that the drilling being discussed as well below the water would be in the area of the protected waters.

[10:25:54 AM](#)

MS. PAINE prefaced her answer by stating her understanding that it is the water [of Kachemak Bay] that is the protected area;

there would be no entry authorization into that area with drilling in the subsurface. She continued:

However, there are, potentially, hydrocarbon regions - specifically gas - that are located deep, deep below the seabed floor that could be accessed from the nearby unrestricted land in a way that wouldn't go into or ... impact the protections in place for the fisheries in the area in that location.

REPRESENTATIVE ORTIZ confirmed that answered his question.

[10:27:11 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked whether there was other oil and gas activity adjacent to legislatively designated areas elsewhere in Alaska where horizontal or directional drilling could occur under Section 1 of HB 82.

[10:28:02 AM](#)

MS. PAINE answered that currently the only area statutorily closed for oil and gas leasing is Kachemak Bay. Other areas have different designations in place, such as addressing a different type of mineral owner or federal lands. She described Section 1 as offering "forward thinking" to address any area legislatively protected in the future, so that the ability to access minerals in those areas would not be closed to DNR, if the minerals could be indirectly accessed from a nearby, unrestricted location.

[10:28:52 AM](#)

REPRESENTATIVE KREISS-TOMKINS concluded that this language was more prospective and would preempt any confusion about the ability to do directional drilling [adjacent to] areas the legislature may designate in the future.

MS. Paine confirmed that is correct.

[10:29:22 AM](#)

REPRESENTATIVE STORY asked whether horizontal, subsurface drilling had been done under protected land anywhere else in Alaska and whether there had been "any effects that had happened in other places."

[10:29:52 AM](#)

MS. PAINE said that "page 4-4" of a map in the Cook Inlet Best Finding document depicts all critical habitat areas and "other sort of legislative designated areas." She said, "We are currently compatible in terms of our oil and gas activities and include any surface restriction in the mitigation section of chapter nine." She reiterated her comment to Representative Kreiss-Tomkins that there are no other "statutorily closed state ... mineral areas that we have [as] an example to point [out] to you at this time."

REPRESENTATIVE STORY clarified that she wanted to know whether there are examples of ill-effects of horizontal drilling anywhere in the world.

[10:30:54 AM](#)

MS. PAINE echoed the remark of [Mr. Roby] that 95 percent of wells drilled in Alaska have a "directional component," and she said that "we have a very successful track record in terms of safety and protecting our environment."

[10:31:34 AM](#)

CHAIR TARR announced that HB 82 was held over.

[10:31:50 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at [10:32] a.m.